

Australian Association of Co-operatives  
154 Elizabeth Street, Sydney, NSW. 2000.



# CO-OPERATIVES HAVE A POWERFUL WEAPON

The most powerful tool in ensuring that the co-operative sector and its constituents develop and prosper is a unified, supportive, and active Association.

The Australian Association of Co-operatives is the movement's most powerful weapon. It works actively to:

- \* Promote the Co-operative ideal in the private and public sectors.
- \* Act as your "watchdog" on government to ensure that the rights of co-operatives are protected.
- \* Keep members informed on activities and issues that affect the security and continued viability of their individual industries.
- \* Educate the public on the nature and goals of the Co-operative Movement.
- \* Offer encouragement and practical support services to members.

Some of these services are:

- \* A central banking system that ensures maximum returns on the savings and deposits of member co-operatives and their members and the best loan interest rates in town.
- \* A licenced insurance brokerage able to provide the best insurance coverage at most competitive rates.
- \* A Co-operative Development Unit consisting of:
  - Management Advisory Service
  - Industrial Relations Advice
  - Government Affairs and Lobbying Service
  - Legal Advice
  - Financial Advice and Loans Service
  - Training Courses for Members and their Employees.

The greater our membership the more powerful we are.  
Membership is open to all organisations that espouse the co-operative principles.

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The General Manager

Box A231 P.O.

Sydney South. NSW. 2000.

BOOKLET NUMBER 2

## CO-OPERATIVES

What are they?

What do they do?

How can they help you?



# CO-OPERATIVES

**What are they?**

**What do they do?**

**How can they help you?**



Mary Donnelly is:  
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and thanks all who co-operated  
with her in this project.

by  
**MARY DONNELLY**

Produced by the Australian Association of Co-operatives Ltd.  
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## INTRODUCTION

Have you ever considered that the -

- \* meat, fish, fruit, vegetables, sugar, milk, butter, cheese and cream you eat;
- \* clothes you wear;
- \* taxi you ride in;
- \* books you read;
- \* money you invest, borrow, or about which you seek advice;
- \* mortgage, insurance, or car you own;
- \* child care centre you use;
- \* sport you play;
- \* club you belong to;
- \* liquor you drink;
- \* job you hold;

may well have come to you through co-operative enterprise?

You might think of primary produce and country towns when you see "co-operative". Co-operatives (co-ops) are important to primary producers and country towns, but they are much more than that.

**Did you know that Australia has over 6,000 co-ops, with assets exceeding \$35 billion, more than 6 million members, providing jobs for about 52,000 people selling products and services worth \$16 billion each year?**

You may not have realised that co-operation is a valuable part of your way of life because you were not aware that your co-op is a co-op.

When you first saw this booklet did you think of -

- \* a building society or credit union loan;
- \* Victorian Producers Wool;
- \* Oak Ice Cream;
- \* Darling Downs Bacon;
- \* Sunwhite Rice;
- \* Geraldton Fish;
- \* Norco Butter; or
- \* Letona Fruit?

Well that is what Australian co-ops are about: 6,000 organisations with products like those.

### Why don't we know more about co-ops?

Is it because -

#### 1. Co-ops are a new way of doing business?

**No.** Co-ops have been around since 1750 BC in Babylon, and following a revival in the United Kingdom in the 19th century have spread to 72 countries.

#### 2. Co-op are new to Australia?

**No.** Co-ops have been in Australia since at least the 1840's.

#### 3. Co-ops are unsuccessful?

**No.** \$35 billion in assets signals success.

#### 4. Co-ops are unsafe?

**No.** Co-op history suggests that co-ops survive well. Many Australian co-ops have been operating successfully for over 50 years.

We may not know much about co-ops because -

- \* we concentrate on what co-ops do, not on how they do it;
- \* we seldom think of benefits co-ops bring us simply by being co-ops; and
- \* co-ops are not always labelled as such.

Imagine the hidden market opportunities (the sleeping giant) in your midst

- the co-operative way! This booklet may help you understand the co-operative way
- the third sector of our economy.

## WHAT IS A CO-OP?

A co-op is a way of organising activity, it is an organisation in which its users own and control it, and share its profits (or losses) in direct proportion to the way they use it.

## HOW DOES A CO-OP DIFFER FROM OTHER FORMS OF ORGANISATION?

### Co-operative Organisation

A co-op differs from other forms of organisation in that benefits from a co-op are based upon **use** not **ownership** of it, while at the same time entitlement to use of the co-op depends on being an owner/shareholder/member. In other words co-ops belong to, and are controlled by, their user customers, normally on a one member one vote basis.

In other organisations there is no necessary link between being an owner and a customer; and voting power, if any, usually varies with number and types of shares held.

### Private Investor Organisation

The owners of a private investor organisation such as BHP control it and share its profit or loss in direct proportion to the amount of money they invested in the company. That is the company makes its profit from customers, but distributes it to shareholders, who are not necessarily the same people. Therefore if you wish to increase your share of the profit or voting power of such a company you need to invest more money. If you

wish to increase the company's profit, do more business with it; but you won't share that profit if you are a customer and not a shareholder.

### Public/Government Organisation

The owner of a government organisation such as Australia Post is the Crown which controls it, and takes all the profit or loss, because it owns all the capital (if any) of that organisation. There are no voting rights, except among the politicians.

### Similarities of Organisations

Co-ops, companies and associations usually have the following similarities -

1. **corporate status** (ie they have separate legal existence from that of their members; the organisation may sue or be sued in its own name), and
2. **limited liability** (ie should the organisation wind up, a member will not be required to make good any losses of the organisation in excess of his/her/its share capital).

### Differences between Organisations

SOME BASIC LEGAL DIFFERENCES BETWEEN THREE TYPES OF ORGANISATION			
	Co-operative	Company	Public/Govt. Organisation
Value of Issued Capital	Usually variable	Usually fixed	Usually nil.
Purpose of Issued Capital	Services to members	Capital Gain/ Income for Shareholders	Usually N/A
Shares	May be repaid or repurchased (but not on a public stock exchange, and there are some restrictions on transfer/sale).	Fixed but may be sold on a public stock exchange	Usually nil.
Voting	Usually one member one vote applies.	Voting rights frequently related to capital held.	Board appointed by Government
Profits	Dividends limited. (Profits distributed to members as rebates based on volume of business done with the co-op).	No limit on dividend. Any distributions usually in proportion to shares held.	No distribution allowed.

### Comparison/Contrast of Organisational Types

We should not confuse **what** an organisation does with **how** it does it. That is, **type of activity** is virtually irrelevant to the **type of organisation** performing it.

#### Example

The Commonwealth Bank provides banking services for its customers, as do Westpac Bank and St. George Building Society for theirs. Customers of all three institutions have access to, say, a cheque book.

The service is the same - a cheque book. The institution is different - the Commonwealth Bank is a government organisation; Westpac Bank is a private investor organisation; St. George Building Society is a co-operative organisation.

The Commonwealth Bank belongs to the people of Australia through their representatives in the Australian Parliament, who may or may not be its customers. Westpac Bank belongs to its shareholders, who may or may not be its customers. St. George Building Society belongs only to those of its customers who are shareholders.

These differences occur because private investor organisations are profit/product oriented; government organisations are product oriented; co-ops are people/profit oriented.

#### Flexibility of Co-operatives

Co-ops are so flexible that they succeed in any political, economic, or geographic environment such as the Basque area in Spain, the USSR, North America and Australia, where, for example the largest rice organisation is a co-op. Basically a co-op makes one operating unit out of many individuals and hence makes life easier for people.

A co-op is particularly suitable for any activity where -

1. service is more important than profit; (eg a women's refuge, a child care centre, or a taxi co-op)
2. there is a common bond between a group of people wishing to receive and provide a service; (eg an employee based credit union)
3. people are free to join and leave the organisation without great individual profit or loss to themselves (eg a bookshop or a tennis club).

You can cease being a member of a co-op by ceasing to be a user/customer at which time you usually have your share capital refunded to you. You then cease to have a right to share in any profit or loss that co-op makes.

Some people forget this point and expect to be able to remain members (shareholders) in co-ops they no longer use as members. The idea of being a shareholder and not a customer (user member) relates to other kinds of organisations, not to co-ops.

On the other hand if you insist on being a customer of a co-op and not a shareholder, (which is possible in some co-ops) you have no right to share in the profit or loss that co-op makes. Let us say you buy a pair of shoes from a rural co-op without being a member of it. You would pay the same price for your shoes as a member, but you would not receive the rebate/bonus/dividend for your custom as a member would. The usual test of being a user or active member of a co-op is holding a minimum number of shares in it, and either doing a minimum amount of business with it, or paying it a minimum yearly fee.

## WHY ARE CO-OPS DIFFERENT FROM OTHER TYPES OF ORGANISATIONS?

Because co-op philosophy is different from the philosophies of other organisations. Co-ops realise they are in the people business, therefore their operations are such that their ideas and business ethics not only comply with their members' wishes but also ultimately generate a benefit or profit for those members.

The making of profits is essential to co-ops; but profits in co-ops are regarded as a reward for effort rather than a bonus for successful speculation. In co-ops profits are made in order to be shared amongst the people who help to make those profits - people like you. That philosophy is enshrined in "The Six International Co-operative Principles". Operating according to these principles is the test of being truly co-operative.

## THE INTERNATIONAL CO-OPERATIVE PRINCIPLES

### 1. Open and Voluntary Membership

Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of co-operative membership".

Private investors living in Perth, for example, could not simply invest money in a Melbourne co-operative. To be members they would need to sell products to the co-operative. Having only money to invest, they cannot join the co-op, because co-ops are user/member organisations.

This principle encourages togetherness of like interested people.

### 2. Democratic Control

"Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them".

"Members of primary societies (organisations whose members are individuals) should enjoy rights of voting (one member, one vote) and participation in decisions affecting their societies. In societies other than these the administration should be conducted on a democratic basis in a suitable form".

This principle ensures that control of the co-op is independent of the amount of capital invested.

### 3. Limited Interest in Shares

"Share capital should only receive a strictly limited rate of interest, if any". This principle ensures that:

- \* profits go to members in accordance with business done;
- \* profit is not channelled off into paying too high a price for capital;
- \* few distortions occur to a co-op's capital structure when its members join or resign.

### 4. Return of Surplus to Members

"Surplus or savings (if any) arising out of the operations of a society, belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others".

This may be done by the decision of members as follows:

- \* by investing surplus funds in a manner which would develop the business of the co-operative;
- \* by augmenting the services provided by the co-operative which would be of common benefit to the members;
- \* by distribution among the members in proportion to transactions with the society.

This principle ensures that effort rather than capital is rewarded.

### 5. Education

"All co-operative societies should make provision for the education of their members, officers and employees and of the general public in the principles of co-operation, both economic and democratic".

This principle ensures that whatever lessons co-operatives have to teach are available for all to learn. An example of this principle is this booklet published by AAC as a community service.

## 6. Co-operation Among Co-operatives

"All co-operative organisations, in order to best serve the interests of their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels".

An outstanding example is the provision of co-operative credit in "third world" countries which has enabled the poverty cycle to be broken by the replacement of expensive private sector finance with cheaper co-operative credit for co-operative development.

Most successful organisations have at least one of these co-operative principles in their corporate philosophy. Only true co-ops have all six. It is the integration in practice of those six principles which makes a co-op different from other organisations.

Operating according to these six principles brings us back to where we began. People who use a co-op own and control it, and benefit from it according to their use of it.

## WHAT DO CO-OPS DO?

Just about anything.

### Examples:

- \* Fishermen join together to market and transport fish. That's a trading co-op like Lakes Entrance Fishing Co-op in Victoria or Fremantle Fishermen's Co-operative in Western Australia.

- \* Consumers do the same thing -

1. to purchase goods through their own retail store, eg a rural trading co-op like the Junee Co-op Store, the Wine Society in NSW, or PIVOT in Victoria;

2. to provide credit such as in a building society like St George Building Society in NSW or a credit union like Gas Employees Credit Union in Victoria.

- \* Farmers process and market produce such as wool, milk, grain, sugar, cotton, fruit, and vegetables, in a rural co-op such as Victorian Producers Co-operative in Victoria, Swan Settlers Co-operative Association in Western Australia, Berri in South Australia, Mackay District Cane Growers in Queensland, and the Pig Marketing Co-operative of Tasmania.

- \* Small businesses purchase from manufacturers goods such as liquor (Independent Liquor Group in NSW). Those are trading co-ops.

- \* Taxi owners provide radio networks and purchase petrol. They are trading co-ops like RSL Taxis in NSW.

- \* Community groups provide bowling, tennis, ski, golf, child care, housing, refuges,

radio stations, etc. Those are community advancement societies such as Tranby Co-op in NSW.

- \* Workers provide employment for themselves in worker co-ops such as Budge Ellis Staff Co-op in NSW which produces refrigeration units for industry.

- \* Groups of co-ops in the same industry such as fish, dairying, or finance form associations to broaden the services their groups need. These co-ops are Associations such as the Australian Association of Permanent Building Societies, the Australian Federation of Credit Unions, and the Australian Friendly Societies Association.

- \* National co-operative sectors form peak organisations. In Australia this organisation is the Australian Association of Co-operatives (AAC). The world-wide organisation is the International Co-operative Alliance (ICA).

## WHAT CAN CO-OPS DO FOR YOU?

Co-ops can allow you to have greater control over your life than you otherwise might. You can join an existing co-op, found a new one, or reform one to which you already belong.

### Examples:

#### Do you like the terms and conditions of your current housing loan?

If it is a bank loan and you are not a shareholder in that bank, what can you do about it? Write a letter, or go to another institution. (That might be expensive!)

If your loan is with a co-op you can write a letter, go to another institution, or go to the co-op's Annual General Meeting and express a point of view. You can also nominate for the Board of Directors.

#### Do you want to live in an economically stable community?

Co-ops help you do that. With their -

- \* emphasis on reward for effort rather than a bonus for investment;
- \* shares not being sold publicly;
- \* democratic control;
- \* business success at the small scale level;

co-ops tend to have a stabilising effect on the community in which they operate.

Notwithstanding that co-ops may not be able to do much about the international price of wool, sugar or fish, or swings in capital inflow or outflow and the stock exchange, they are not a direct catalyst for such movements.

It is highly unlikely that somebody or some corporation would borrow \$4,000 million overseas to invest in an Australian co-op so he/she/it could have one vote at general meetings!

**Have you thought where you might be if all child care centres were provided by institutions which were solely profit oriented?**

The service child care centres provide (aside from education) allows their members to make profits elsewhere - by being free to earn a wage - and that is what those members need.

The "profit" involved in this kind of co-op is freedom not money, and demonstrates how co-ops can add to the quality of our lives.

**Imagine the satisfaction and stability of employment provided by worker co-ops where the employees and the owners are the same people.**

The members of the co-ops are paid wages as employees and dividend/ rebates/ bonuses as owners. Members of these co-ops are encouraged to work well and have less fear of being unemployed for artificial reasons than other workers.

That list shows examples of ordinary services co-ops provide for our everyday business and social life.

## **A CO-OPERATIVE CASE HISTORY SHOWING WHAT A CO-OP DOES**

### **ILLAWARRA MUTUAL BUILDING SOCIETY**

In 1880, Wollongong had a population of 1,635 souls. Its only connection with the outside world was by sea. On January 8 in that year, a letter to the Wollongong Argus set out the advantages to working men of a building society - "enabling them to become their own landlords and to stand on the threshold of their own door and with justifiable pride claim 'This is my own home!'"

On February 3, a packed house at the Council Chamber voted to form a building society and on April 9, the Illawarra Mutual Building Society was formed. It has traded continuously under this name ever since.

In its first year, the IMB, as it is now affectionately known throughout the Illawarra region, lent 1,700 pounds (\$3,400). In 1987/88 the Society lent \$140 million.

Many of the Society's archives were destroyed by a flood during the 1940s so it is not possible to calculate the total number of homes financed during its 109 years, but it

must be many tens of thousands. Many properties in the Illawarra have been mortgaged to the Society over and over again by succeeding generations of borrowers.

Today the IMB ranks well up in the top 100 financial institutions in Australia with total assets of \$700 million. Its reserves to assets ratio of over 5% makes it one of the strongest building societies in the country, and it is by far the largest provider of home finance in south eastern NSW.

Even in 1880, the Society lent money to finance farms as well as houses, and by 1885, records show that some loans were also being made on commercial and industrial property. Today the Society concentrates on lending for homes but also provides commercial finance, personal loans and credit card facilities to members.

The IMB remains committed to its founders' principles of mutuality and has no fixed permanent capital base. But the services offered have grown since its foundation and the Society now provides a full range of financial services to well over 250,000 members.

The Society will lend for any worthwhile purpose at competitive interest rates. It offers personal cheque accounts, internationally accepted debit and credit cards and a nationwide automatic teller machine network. Investment opportunities include a funeral fund, approved deposit funds, insurance bonds and superannuation funds.

The IMB now has 43 full service branches and over 60 agencies between Sydney and the Victorian border and its inland territory stretches from Penrith in Sydney's west to Queanbeyan near Canberra.

## **AUSTRALIAN ASSOCIATION OF CO-OPERATIVES**

### **What's that?**

AAC is the co-ops' co-op; the trade organisation for co-ops in Australia; their "powerful weapon" (see back cover).

AAC is a co-op whose only members are other co-ops. It is called a "second tier" co-op. (Co-ops which have people as their members are called primary ("first tier") co-ops.)

It is through such "second tier" co-ops that much of the "Education" and "Co-operation Among Co-operatives" principles are effected in Australia.

There are also "third tier" co-ops where "second tier" co-ops form other co-ops, such as a wholesale bank, to service member co-operatives.

## How Can AAC Help You?

Are you an accountant, lawyer, journalist, politician, or investment advisor who might be asked about the benefits of forming companies"? If so do you know enough about co-ops to advise when forming a co-op would be beneficial for a client, constituent, or reader?

Are you a teacher, lecturer, or tutor who needs to educate students about commerce, business, social or domestic studies? If so do you know enough about co-ops to help your students understand them?

### Do you need to know -

1. How to join a co-op?
2. If you need to be a person or a corporation to do so?
3. How to get a loan or an insurance quote from a co-op?
4. How to form a co-op?
5. What co-ops do?
6. How to obtain information on co-op prospects in an area or industry?
7. Which government department handles co-op matters in your State.
8. If co-ops are safe institutions"

If you do please contact your nearest AAC office which is listed on the inside back cover of this booklet.

## WHAT IS THE FUTURE OF CO-OPS?

Vision makes its own success. The future belongs to those who see where products or services are needed, and provide them at reasonable prices.

As the world becomes one economy (legally and geographically) in which all sectors and countries become freer to compete and trade with each other, the values of co-operation are more easily seen and achievable.

People who value service more than profit, human beings more than product, and combine all four factors in their decision making, have the capacity to fill gaps others find unprofitable, valueless, or a waste of time.

Co-ops, because of how they operate, are poised to fill these gaps. They are ready to uncover those hidden market opportunities and wake that sleeping giant.

All that remains to make the future co-operative is that people like you realise co-ops exist, are effective, and provide their members with benefits available nowhere else.

This booklet is a step in that direction. What follows is up to you and your friends.

## CO-OP LEGALITIES

### General

Australian co-ops have a mass of Federal and State legislation to regulate their affairs (as do most other organisations) such as -

- \* The specific State and Territory Co-operation Acts and Ordinances;
- \* The Income Tax Assessment Act;
- \* The Companies Code;
- \* The Trade Practices Act;
- \* The Fair Trading Acts;
- \* The Bills of Exchange Act;
- \* The Unclaimed Monies Acts;
- \* The Credit Acts;
- \* Workers' Compensation Acts;
- \* Relevant Industry Awards;
- \* Stamp Duties Acts;
- \* Industry, Safety and Hygiene Acts;
- \* The Proceeds of Crime Act;
- \* The State and Federal Law Enforcement Agencies Acts;
- \* Payroll Tax Acts;
- \* Local Government Acts/Regulations/Ordinances.

Having so many laws makes for some definitional problems for co-ops because they can be co-ops "by law" and co-ops "by nature".

For example in NSW the Co-operation Act 1923 defines legal co-operatives; St. George Building Society, the AMP Society and the NRMA are not registered under this Act, therefore under this Act they are not "legal co-ops"; but they are all co-operative by nature in some respect because they all abide by some of the co-op principles, and/or the relevant Sections of the Income Tax Assessment Act.

In NSW the Co-operation Act distinguishes ten (10) types of co-operatives which can be divided into two (2) basic groups -

### 1. Commercial Co-operatives

- Rural Societies
- Trading Societies
- Building Societies (other than Permanent Building Societies)
- Rural Credit Societies
- Investment Societies
- Workers Co-operatives

## 2. Community Advancement Enterprise

Community Settlement Societies  
Community Advancement Societies  
Associations  
Unions of Associations

The NSW law goes further by having Friendly Societies, Permanent Building Societies and Credit Unions registered separately from co-operatives (and from each other) under their own respective Acts. So St. George Building Society is a co-op under the Permanent Building Societies Act. These laws are administered by a Registrar.

The laws amongst our states and territories differ but the general idea is similar. For more detail see Appendix II.

### Tax Act Definition

Many co-ops are registered under special State Co-operation Acts. However, many others are companies registered under the Companies Codes in the various states and territories.

The Tax Act provides the generally accepted definition of a co-op as a company which:

- \* limits the number of shares which any shareholder may hold;
- \* prohibits the quotation of shares on any Stock Exchange or in any other public manner;
- \* carries out at least 90% of its business with its members, and;
- \* is established for the purpose of carrying out a business, having as its primary objective the acquisition, disposal, distribution, marketing or similar activity of goods or commodities from its members or the rendering of services for its members.

There are considerable benefits which co-ops enjoy under the Income Tax Assessment Act, the major benefits being that:

- \* dividends paid to members are tax deductible to co-ops; and
- \* rebates or bonuses distributed to members based on business done by members with co-ops are tax deductible to co-ops.

In addition, supplier co-ops may claim a deduction for the repayment of principal amounts borrowed from government for the acquisition of assets. However, the deduction is only available if 90 percent or more of the paid-up capital of the co-op is held by suppliers.

For the purposes of regulation, co-ops fall into two major categories: those which are registered under the Companies Codes in the various states and territories; and those

which are incorporated under special State Co-operation Acts. This distinction is important as the takeover of an entity registered under the special State Acts is significantly more complex than one which is not.

### Co-ops Registered Under the Companies Codes

There are no differences in the operation of the Companies Code and Takeovers Code with respect to co-ops, with one important exception. Section 36 of the Companies Code prohibits a subsidiary company holding shares in its holding company. This prohibition does not apply to Victorian and Tasmanian companies which are co-operatives for the purposes of the Income Tax Assessment Act.

It is therefore possible for a Victorian or Tasmanian co-op to purchase its own shares, or even mount a rival bid, through a subsidiary.

(That would be interesting, wouldn't it!)

### Special State Acts

Each state and territory has legislation especially conceived to regulate and protect co-ops. The extent to which co-ops make use of these special State Acts ("the Acts") varies from state to state and industry to industry. For example, most dairy companies in NSW are incorporated under the NSW Co-operation Act whereas in Victoria because that state did not have a Co-operation Act till 1953 and many co-ops (eg Victorian Producers Co-operative registered in 1910) predate that Act, most are incorporated under the Companies Code. However, the major co-operative Victorian lending institutions are registered under the Victorian Building Society Act.

Unlike the Companies Code and Takeovers Code, which are virtually identical between states, the various Co-operation Acts differ from state to state.

The Acts typically provide for a co-op registered under one of the Acts to convert a company under the Companies Code.

This is an essential step for any company seeking to acquire such a co-op.

Under the NSW Co-operation Act, the Minister must give his consent. In addition, the members must vote in support of the change by special resolution.

### Articles of Association and Rules

The Articles of Association for co-ops registered under the Companies Code, and the Rules for co-ops registered under the Co-operation and Building Society Acts, generally impose the following obstacles to an offeror, ie a takeover.

- \* Limitations on the number of shares any one member may hold

This is also a requirement of the Tax Act. This limitation creates a problem for

an offeror but the magnitude of the problem depends on the precise nature of the drafting of the Articles or Rules. If the Article or Rule is drafted so that "hold" means all shares to which the offeror or an associate has an "entitlement", then a change to the Articles or Rules is a pre-requisite to achieving control. On the other hand, if the drafting is as straight forward as presented above, then if the offeror is not a "member", the Rule need not prove a problem if the offeror is prepared to operate through Powers of Attorney granted by accepting shareholders.

\* Limitation on Voting Rights

Whereas the Stock Exchange requires that newly listed mainboard companies have one vote for each issued share, the Articles of most co-operative companies provides for a sliding scale of voting or alternatively provide that each member shall have one vote, irrespective of the number of shares a member might hold. The NSW Co-operation Act requires that each member shall have only one vote.

\* Qualifications of Directors

The Articles or Rules of a co-op will generally set out the qualifications required of a Director. Usually the qualifications relate to the Director having a trading relationship with the co-op. Sometimes there will be a requirement that the Director not hold office in a company which is a competitor with the co-op. The qualifications also generally require that a Director hold in his own name a specified number of shares.

\* Redemption/Confiscation of Shares

There has been a trend in recent years for Victorian co-ops to convert their shares from ordinary shares to redeemable preference shares. The main purpose appears to be to enable co-ops to redeem the shares of "dry" shareholders and thereby reduce the likelihood of a successful takeover. There is generally a prohibition on the redemption of shares of active or "wet" members except where the beneficial ownership of the shares changes to a "dry" and/or where the member or beneficial owner is in breach of the maximum shareholding limitation.

NSW co-ops registered under the NSW Co-operation Act have active membership provisions in their Rules. Under these provisions any "dry" shareholder's shares are forfeited and up to ten years may elapse before the paid-up value of the shares is paid to the "dry" shareholders.

**NOTE:** Much of this section is a shortened form of "Co-operatives A Hidden Market Opportunity" by Robert Bogers, Capel Court Corporation Ltd.

## THE NATIONAL PICTURE

Co-ops as we know them are a response to the changes in society caused by the industrial revolution. They are also an effective response to community needs.

Co-ops have been in Australia since at least the 1840s; but in those days Australia was a group of colonies with different community needs - and laws - and co-op development has reflected these differences.

Co-ops have developed differently in different states and territories. There are different growth rates in different states, there is no uniform legislation, powers of registration, political representation, or equally shared activity.

### ACT

In the ACT there are approximately 66 co-ops. Community advancement types of organisations register under the Associations Act. There is separate legislation for credit unions and building societies.

### NSW

There are about 1,266 co-ops in NSW. There is much specialty legislation. (See Appendix I). There are several Advisory Councils.

### Northern Territory

In the Northern Territory the Treasury administers the Building Societies Act and the Credit Union Act; the Attorney General's Department administers the Co-operative Societies Act and the Associations Incorporation Act.

There are three active co-operative societies registered under the Co-operative Societies Act and many others which remain unregistered or registered under the Associations Incorporation Act, which has about 1,200 registrations. There are several Advisory Councils.

### Queensland

In Queensland the Primary Producers' Co-operative Act has about 150 active co-ops registered and the Co-operative Societies' Act covers another 100 which include community advancement, housing, and trading societies. Credit Unions and Building Societies have their own legislation.

The administration of Queensland co-ops is spread throughout a number of government departments. There are several Advisory Councils.

## South Australia

In South Australia co-ops are administered by a range of government departments. There are 112 general co-ops registered under the Co-operation Act 1983, 20 credit unions and associations under the Credit Unions Act 1976 and some Friendly Societies regulated under the Friendly Societies Act 1919-1975. Building Societies are registered under the Building Societies Act and Associations under the Associations Incorporation Act. There are several Advisory Councils.

## Tasmania

In Tasmania co-ops are registered with the Commissioner for Corporate Affairs, with the exception of co-operative housing societies which are registered with, and administered by, the Registry of Co-operative Housing Societies, and that is part of the Tasmanian Development Authority. There are about 37 societies including credit unions, primary producers and building societies.

## Victoria

In Victoria there are about 1,335 co-ops registered under the Co-operation Act, 1981, (currently being revised) which covers credit unions, community advancement groups, trading, producer, and community settlement groups; approximately 1,400 housing co-ops under the Housing Co-operatives Act; several building societies and friendly societies are registered under their own legislation. There are several Advisory Councils.

## Western Australia

In Western Australia there are over 100 active co-ops registered under the Companies (Co-operation) Act, 1943. Co-ops are administered similarly to those in Queensland. There are several Advisory Councils.

From this summary you can see that conditions for co-ops differ widely from state to state in such matters as having specialty "co-operative" legislation, numbers, size, and so on.

As co-ops grow and trade more these differences at law are beginning to disappear and are constantly under review by administrators, legislators, and co-operators.

By the time the twenty first century dawns we shall probably find a much larger degree of uniformity in co-operative operations than we do today, combined with an even more diverse range of activities.

That is the essence of the nature of co-ops, what they do is different, how they do it is the same - the co-operative way.

The Secretary  
Australian Association of Co-operatives  
GPO Box A231  
Sydney South NSW 2000



## APPLICATION FOR MEMBERSHIP

Name of Co-operative: \_\_\_\_\_  
\_\_\_\_\_

Full Postal Address: \_\_\_\_\_  
\_\_\_\_\_

1. We hereby apply to be admitted as a member of the Australian Association of Co-operatives Ltd and to be allotted five shares therein. (Nominal value of shares: \$2 each - minimum shareholding FIVE (5) SHARES. In respect of such application we enclose, in accordance with the rules, the sum made up as shown hereunder:

\$10.00 Shares

..... Subscription (as per reverse)

\$ Total

2. If this application is approved and the shares as aforesaid are allotted, we agree to pay all charges required by the Association, a list of which charges\* has been supplied and we agree to be bound by the Rules of the Australian Association of Co-operatives Ltd and by any alteration thereof registered in accordance with the Co-operation Act.

Signed: .....  
Secretary/Manager/Treasurer

Date: .....

\* Charges as in Item 1 above.

## BASIS FOR CALCULATING SUBSCRIPTION RATES

Ascertain turnover from your last Annual Report (i.e. Total Gross Income, including Sales, Subscription, Commission, etc)

### CO-OPERATIVES

(Other than Finance and Associations)

	TOTAL
Gross Income up to \$200,000 at base rate of \$50 .....	\$50.00
Portion of Gross Income between \$200,001 and \$12,000,000 ..... x * =	
Portion of Gross Income between \$12,000,001 and \$50,000,000 ..... x * =	
Portion of Gross Income between \$50,000,001 and \$200,000,000 ..... x * =	
Portion of Gross Income over \$200,000,000 ..... x * =	

### FINANCE CO-OPERATIVES

(Credit Unions and Building Societies)

\* % of Assets

### ASSOCIATIONS

(Organisations whose Members are Co-operatives)

\*

### NB: CHARGES

The only charge payable for membership of the Australian Association of Co-operatives Ltd is the Annual Subscription.

\* See separate insert for current rates

# Australian Association of Co-operatives Ltd

4th Floor, 154 Elizabeth Street, Sydney. NSW. 2000.

Telephone: (02) 264 9522

69 - 73 Wellington Street, Windsor, Victoria. 3181.

Telephone: (03) 521 1654

42 Waverly Street, Shenton Park, Western Australia. 6008.

Telephone: (09) 381 2600

### Further Reading

**Co-ops in NSW - A Guide to Who They Are; What They Do; Their Products and Services**

**The Co-operative Sector of the NSW Economy - Keith Windshuttle**

(Both publications were published by the NSW Ministerial Council on Future Directions for Co-operatives.

**Ministerial Advisory Council on Co-operatives Report 1984 - Department of Corporate Affairs - Co-operatives Unit Melbourne**

**The Co-operative Way: Victoria's Third Sector - Ministerial Advisory Committee on Co-operation July 1986 - Ministry of Housing Melbourne**

**Annual reports of the Registrar responsible for Co-operative Societies - in your state.**